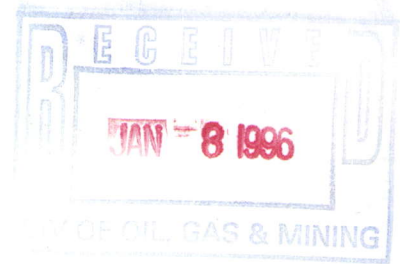


DOGM
MINERALS PROGRAM
FILE COPY

January 4, 1996

Mr. D. Wayne Hedberg, Permit Supervisor
State of Utah, Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RE: ACT/027/007

Dear Wayne:

This letter is written to clarify certain aspects of the litigation between Western States Minerals Corporation and Jumbo Mining Company. It occurred to us that certain misconceptions might exist within the Division regarding the appeal and the status of related matters regarding this matter.

By way of background you will probably remember that a copy of the Trial Court's "Findings of Fact and Conclusions of Law and Judgment on all Remaining Non-Reformation Issues" was provided to you with a letter from our attorney, Steve Alfors, dated June 13, 1994. The Court ordered "That Defendants, JUMBO and ASOMA are to forthwith perform all contract obligations to assume all reclamation at the Drum Mine; this obligation includes undertaking forthwith whatever bonding requirements are required by the appropriate authorities in the State of Utah to effectuate the clear purpose of this contract, which is that Defendants assume all reclamation responsibilities." At the same time Western States was ordered to cooperate in the permit transfer process. This Judgment is referred to as the "specific performance judgment" in this letter. Separately, on October 20, 1994, the court granted to Western and award of certain costs caused by the litigation to be paid by Jumbo in the amount of \$46,217.25. This is referred to as the "costs judgment" in this letter.

As you already know, the case is now in the Court of Appeals, State of Colorado. Concerning certain aspects relating to the appeal, we would like to offer certain facts:

1. No stay of execution has been approved on the "specific performance judgment" by which Jumbo and ASOMA were ordered to assume reclamation responsibility for the Drum Mine and to post an appropriate bond.
2. No appeal bond has been posted that would delay Jumbo's duty to assume reclamation as required by the "specific performance judgment". At a hearing in January 1995, the Colorado court set a figure for an appeal bond. Obviously Jumbo has elected not to post a bond or obtain a stay.

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3. The Colorado judgment has been filed with the Utah Courts. The effect of this is that there now exists a Utah judgment which orders Jumbo and ASOMA to perform reclamation at the Drum Mine, and to post an appropriate reclamation bond.

4. Western's money judgment for costs was also registered in Utah, and resulted in the attachment of assets which satisfied a portion of that money judgment. Thereafter, Jumbo requested a stay on the remaining unpaid portion of the money judgment, which was granted after Jumbo delivered an acceptable Letter of Credit in the amount of \$45,000. As you can see from the enclosed copy of the Court's Order, this stay has nothing whatsoever to do with the Court's Order that Jumbo assume all reclamation at the Drum Mine.

In sum, Western's judgment for specific performance is in effect and issued by courts both in Colorado and in Utah. There has been no bond posted or stay issued by any court that justifies a delay in Jumbo assuming its responsibilities at the Drum Mine. On May 6, 1994 Jumbo was ordered to perform its obligations "forthwith", and although one year and eight months have passed, such performance has still not occurred.

As far as the duration of the appellate process, it is hard to predict. WSMC filed its opening brief on September 5, 1995. Jumbo failed to file its opening brief on two deadlines so far, and has taken other steps which have had the effect of delaying the process further. It is our view that Jumbo's failure to move forward with the posting of a bond in compliance with the Court's Order will continue unless DOGM itself takes steps to recognize the existing court Orders, and forces Jumbo to comply therewith.

Please feel free to call with any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Allan R. Cerny", with a long, sweeping horizontal line extending to the right.

Allan R. Cerny
Secretary

cc: Lowell P. Braxton
Lee Foreman
Mike Keller